

## Interview with the President

### Osaka's Umeda area, driving the Group's growth

The Umeda Hankyu Building and GRAND FRONT OSAKA have been completed at last. The Umeda 1-1 Project has made significant progress, which is intended to further enhance the attractiveness of the Umeda area.

Among the major projects undertaken under the Medium-Term Management Plan, we finally completed the rebuilding of the Umeda Hankyu Building, which is anticipated to generate significant earnings in the future. Despite spanning seven and half years, this project was completed without incident, which I personally find deeply satisfying. The new Umeda Hankyu Building benefits from the extra capacity made possible by the Act on Special Measures concerning Urban Reconstruction, with the specified floor-area ratio significantly eased from 1,000% to 1,800%. This extra capacity has transformed it into a multipurpose building that features an approximately 150,000m<sup>2</sup> department store along with an approximately 100,000m<sup>2</sup> office complex. I am proud to say that the Umeda Hankyu Building is not only the No. 1 building in Umeda, but in the entire Kansai area. With the building's occupancy rate rising to nearly 90% (including

informal tenancy commitments), the subsequent rental income has begun to contribute to overall earnings. Since the grand opening of the refurbished Hankyu Department Store's Umeda Flagship Store, it has been attracting numerous people daily and thereby contributing to increases\* in the number of passengers using our railway lines.

Another major development project, GRAND FRONT OSAKA, commenced operations in April 2013. In conjunction with the opening of the Umeda Flagship Store, GRAND FRONT OSAKA is making a substantial contribution to the revitalisation of the Umeda area. In particular, GRAND FRONT OSAKA attracted over 300,000 customers on each day of the Golden Week spring holiday.

There are those who believe that the addition of these new commercial facilities will create an oversaturated retail market in

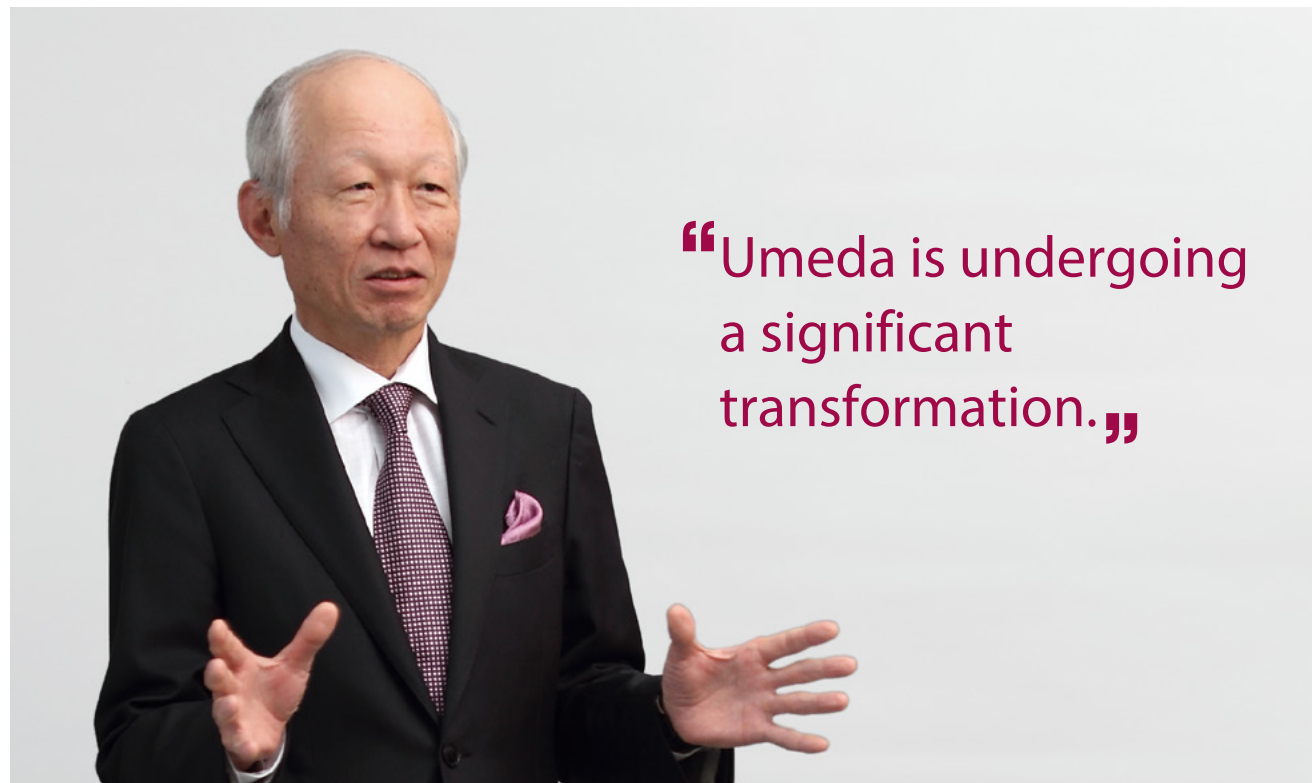
the Umeda area. On the contrary, we believe that building retail spaces that enhance the attractiveness of Umeda on the whole will expand this market and draw more customers than ever before.

Through these efforts, Umeda is undergoing a significant transformation. Looking ahead, however, we must further evolve Umeda into a highly competitive area on the international stage that gathers together and fosters exchanges among people, commodities and currencies not only from Kansai and Japan, but Asia and numerous other overseas regions. One initiative to achieve this is the Umeda 1-1 Project, which involves rebuilding the Dai Hanshin Building (in which the Umeda Flagship Store is located) and the adjacent office building, Shin Hankyu Building, into an integrated complex. Thanks to a city plan proposal decided upon on 19th April 2013 that establishes a special urban renaissance district, the Umeda 1-1 Project has made significant headway towards commencing commercial operations. This city plan proposal eases the specified floor-area ratio under the Act on Special Measures concerning Urban Reconstruction from 1000% to 2000% (the largest in Japan at the time the proposal was decided upon). We will also undertake this rebuilding project using the space above the road separating the Dai

Hanshin Building and Shin Hankyu Building. This is the first time that an "area specified for urgent urban regeneration work" in accordance with the Act on Special Measures concerning Urban Regeneration is being used to ease regulations on aboveground construction. In addition, we will promote the development of a comfortable, superior-quality community by undertaking this project in conjunction with upgrades to surrounding public facilities.

The Umeda area is the Group's most important business base. Accordingly, we are keenly aware of the role we play in this area. Looking ahead, we will work in tandem with the government and business partners as we further revitalise and improve the attractiveness of the Umeda area in all areas to create a community that meets today's needs.

\* Compared with the number of passengers in the previous fiscal year following the grand opening of the Umeda Hankyu Building (until 31st March 2013)  
(Hankyu Umeda Station passengers: +2.5%; Hanshin Umeda Station passengers: +1.3%)





# Special Feature: Our Investment for Growth

## Progress and achievement in growth investment to create value along Group railway lines

The Group's Medium-Term Management Plan views the railway and real estate leasing businesses as stable cash flow generators and focuses on strengthening the Group's operating fundamentals to ensure future growth. This includes prioritising real estate development investment in our most important base of operations, the central Umeda area.

The Umeda Hankyu Building and GRAND FRONT OSAKA development projects were completed between 2012 and 2013 with the goal of creating interest in the Umeda area. These projects are beginning to realise an early increase in value along Group railway lines, particularly a rise in train passengers. We are also undertaking the new large-scale Umeda 1-1 Project to improve the competitiveness of Umeda in the years ahead. We will report on the progress and achievements of our growth investment for each project as well as explain the potential of the Umeda area and our development policy.



**Project 1**  
**Rebuilding of Umeda Hankyu Building Project**

- Total investment: Approx. ¥60 billion
- Major uses: Department stores, offices
- Height: Approx. 187m
- Total floor area: Approx. 254,000m<sup>2</sup>
- Floor-area ratio: 1800%



**Project 2**  
**GRAND FRONT OSAKA**  
 (Osaka Station North District (Umekita) Phase I Development Area Project)

- Total investment: Approx. ¥51 billion  
\*Our Group's share only  
(Facility investment only. Excludes investments in land and buildings for sale)
- Major uses: Offices, commercial facilities, hotels, Knowledge Capital, condominiums for sale
- Height: Approx. 154m-180m
- Total floor area: Approx. 556,700m<sup>2</sup>
- Floor-area ratio: South Building 1600%  
 North Building, Owner's Tower 1150%



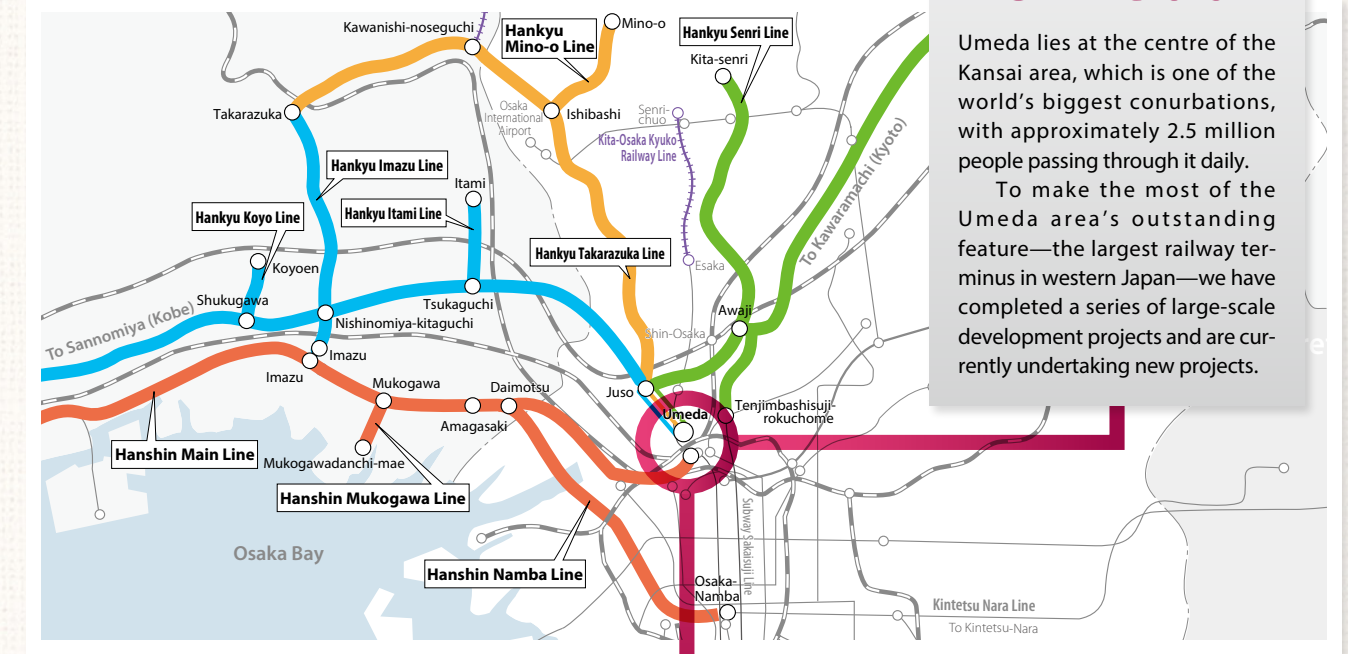
**Project 3**  
**Umeda 1-1 Project**  
 (Dai Hanshin Building and Shin Hankyu Building Rebuilding Projects)

- Total investment: Yet to be determined
- Major uses: Department stores, offices, convention halls
- Height: Approx. 190m (planned)
- Total floor area: Approx. 257,000m<sup>2</sup> (planned)
- Floor-area ratio: 2000% (planned)

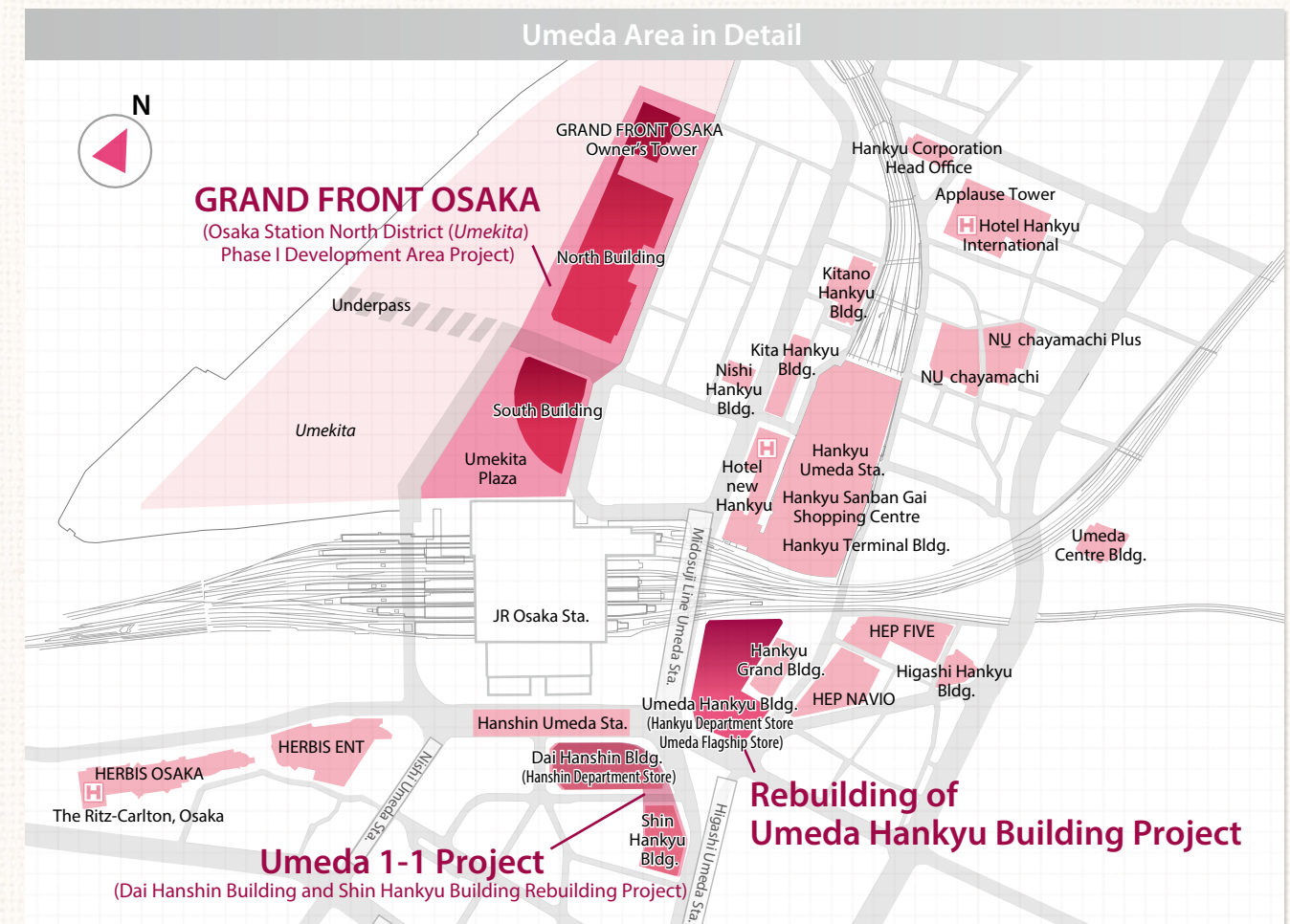
### Development Schedule

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2024	(FY)
<b>Project 1</b> Rebuilding of Umeda Hankyu Building Project									<b>Grand opening in November 2012</b> ▶ Department Store Building (Phase I) opened in September 2009 ▶ Office Tower opened in May 2010 ▶ Department Store Building (Phase II) opened in October 2012		
<b>Project 2</b> GRAND FRONT OSAKA (Osaka Station North District (Umekita) Phase I Development Area Project)								<b>Opened in April 2013</b>			
<b>Project 3</b> Umeda 1-1 Project (Dai Hanshin Building and Shin Hankyu Building Rebuilding Projects)										<b>Completed in 2023 (planned)</b>	

Areas Served by Group Lines (Expanded)



**“Umeda”**  
 Umeda lies at the centre of the Kansai area, which is one of the world's biggest conurbations, with approximately 2.5 million people passing through it daily.  
 To make the most of the Umeda area's outstanding feature—the largest railway terminus in western Japan—we have completed a series of large-scale development projects and are currently undertaking new projects.





# Rebuilding of Umeda Hankyu Building Project

Total investment Approx. **¥60 billion**

- ▶ September 2009 Department Store Building (Phase I) opens
- ▶ May 2010 Office tower opens
- ▶ October 2012 Department Store Building (Phase II) opens
- ▶ November 2012 Grand opening



Umeda Hankyu Building concourse

## The Group's key project is finally complete!

The Umeda Hankyu Building was completely transformed into a large multipurpose building in the autumn of 2012, following seven and half years of construction work. Making a fitting landmark for the Umeda area, this building consists of an approximately 150,000m<sup>2</sup> department store that coexists with an approximately 100,000m<sup>2</sup> office building. Maximising its advantageous position in Umeda, the Umeda Hankyu Building will significantly contribute to the Group's real estate leasing business income.

### Umeda Flagship Store of the Hankyu Department Store transformed into a "Lifestyle Theatre"

Occupying a prime location at the north end of Midousuji, Osaka's main street, the Umeda Hankyu Building is less than a five-minute walk from each of the Hankyu, Hanshin, JR and subway stations as well as contains the Umeda Flagship Store. Rebuilding work on the Umeda Hankyu Building was undertaken without closing its tenant department store, even temporarily. Because of this, the work was divided into two phases. The Umeda Flagship Store held its grand opening on 21st November 2012 following the completion of the Department Store Building (Phase II) project last autumn.

As result of this construction work, the Umeda Flagship Store boasts a sales area of approximately 80,000m<sup>2</sup>, the largest in western Japan. Rather than displaying products in a conventional manner, the Umeda Flagship Store promotes unique attractions to stay abreast of new lifestyle trends under the concept of being an exciting "theatrical department store." This includes Shukusai Plaza—a large open area that conveys lifestyle and cultural information—and Coto Coto Stages.

### Office tower built in Umeda's prime business location

The rebuilding construction of the Umeda Hankyu Building not only renovated the department store, but also added new office floors that take full advantage of the extra capacity made possible by the Act on Special Measures concerning Urban Reconstruction (significantly easing the specified floor-area ratio from 1000% to 1800%). The substantial leasable area of the new office floors is approximately 70,000m<sup>2</sup>, and its rental income will contribute to Group earnings.

## Overview of the Umeda Hankyu Building

### Office Tower

Floors: 15 to 41  
Leasable area: Approx. 70,000m<sup>2</sup>

This office building features Kansai's largest standard per-floor leasable area of approximately 2,800m<sup>2</sup> and a high level of competitiveness that combines environmental performance with comfort. These features are based on Umeda Hankyu Building's convenient location, which provides easy access to Hankyu, Hanshin and other rail lines servicing Umeda Station.



Introduced Japan's largest elevator, capable of holding 80 people

### Umeda Flagship Store of Hankyu Department Store

Floors: 13 floors above ground and 2 below  
Leasable area: Approx. 80,000m<sup>2</sup>

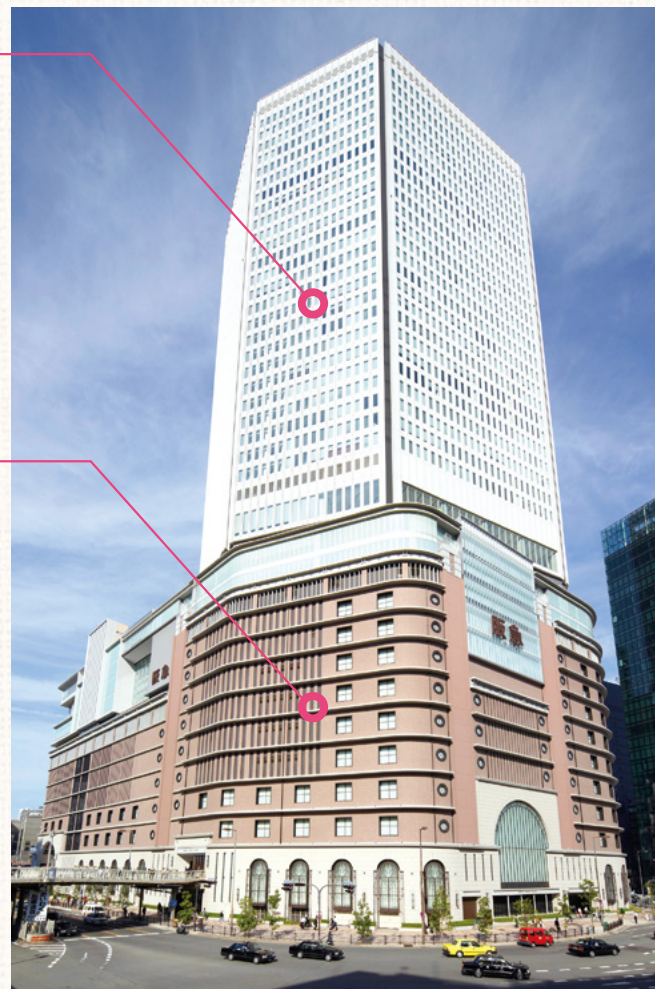
The Umeda Flagship Store is western Japan's largest department store. The store's highly innovative design creates a "theatrical atmosphere" that is comprised largely of the large open area, Shukusai Plaza, and a total of 24 event spaces at which Coto Coto Stage can be held on each floor to allow customers to experience first-hand the value of various products in daily life.



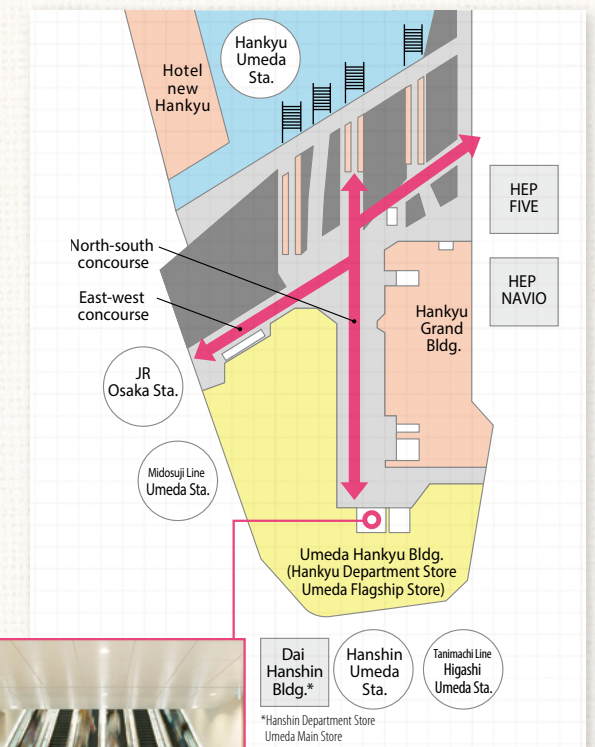
The Shukusai Plaza is bustling with events

### The Building

Height	Approx. 187m
Floors	41 floors above ground and 2 below
Total floor area	Approx. 254,000m <sup>2</sup>



### Concourse Map



Japan's first six parallel escalators

### The newly designed concourses improves convenience and freedom of movement to achieve a barrier-free facility

Umeda Flagship Store's east-west and north-south concourses connect to Hankyu and Hanshin Umeda stations, the Osaka Municipal Subway (Umeda and Higashi-Umeda stations) and JR Osaka Station. Umeda is a major hub through which around 20,000 commuters pass every hour during the morning rush. The reconstruction of this building resulted in the removal of the pillars in the central section of the old north-south concourse and the installation of a nine meter-high ceiling to create an open space. In addition, we enhanced convenience and freedom of movement for pedestrians by installing elevators and escalators that connect to the first basement floor with the above ground floors as well as open spaces. Through these actions, we are working to create more bustling areas.

In particular, the southern-end of the north-south concourse, which connects to Hankyu and Hanshin Umeda stations as well as Umeda and Higashi-Umeda Osaka Municipal Subway stations, has been installed with six parallel escalators, a first in Japan. This enables around 30,000 commuters to pass through each hour, 1.5 times that of the previous structure, and creates an environment that can accommodate larger numbers of visitors to Umeda.



# GRAND FRONT OSAKA

(Osaka Station North District (Umekita) Phase I Development Area Project)

Total investment **Approx. ¥51 billion (Our Group's share)**  
 \*Facility investment only. Excludes investments in land and buildings for sale

- ▶ March 2010 Construction commences
- ▶ April 2013 GRAND FRONT OSAKA opens
- ▶ June 2013 Hotel opens
- ▶ July 2013 Condominiums delivery starts

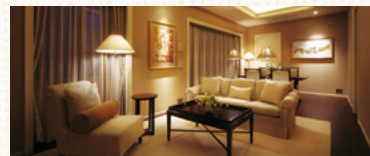


GRAND FRONT OSAKA (April 2013)

## Overview of GRAND FRONT OSAKA

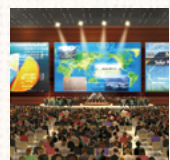
### GRAND FRONT OSAKA Owner's Tower

This 48-floor condominium complex realises the atmosphere of a real first-class hotel based on a concept known as "The Hotel." The tower features a uniquely attractive atmosphere thanks to a seven-meter high open reception area referred to as "The Reception," and a relaxing lounge area installed with fireplaces known as "The Living."



### Knowledge Capital

This concept involves constructing a cluster of urban facilities that create and transmit new value. These facilities feature the Future Life Showroom and The Lab., which allow visitors to experience advanced technologies for themselves, as well as the multi-purpose Knowledge Theatre, a convention centre and other facilities. These facilities also include the members-only interactive Knowledge Salon and small rentable office spaces called COLLABO OFFICE, all of which provide various places and opportunities to pursue knowledge in such areas as industrial development, cultural promotion, international exchange and human resource cultivation.



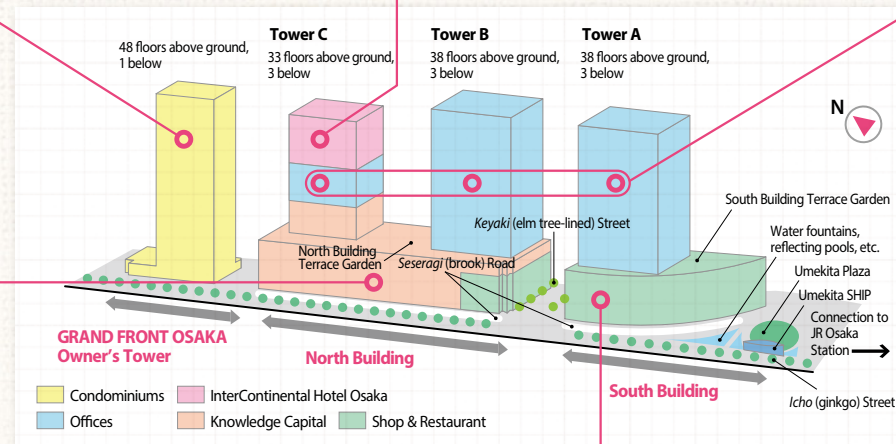
### InterContinental Hotel Osaka

Fully equipped with 272 guest rooms, five restaurants and bars, reception halls, pool and other amenities, the InterContinental is a new-style luxury hotel that offers guests an unforgettable experience found only in Osaka.



### Offices

Our top-flight Flagship Office facilities are Kansai's largest, boasting approximately 150,000m<sup>2</sup> of leasable space within three buildings. In addition to its elegant lobby space, these facilities realise a comfortable and safe office environment thanks to the installation of a natural ventilation system and other advanced technologies.



### Shops & Restaurants



Located in the Osaka's central terminal, this commercial facility is one of Japan's largest, bringing together 266 retail outlets in a store area measuring approximately 44,000m<sup>2</sup>. Under the key phrase, "Umeda-originated, Umeda-produced, Umeda-perfected," this facility consists of a comprehensive array of stores that encompass all lifestyle areas, including clothing, food, living and knowledge.

## Birth of a new community at the gateway to Osaka

In the redevelopment area immediately adjacent to Osaka Station to the north—Osaka's last prime location—GRAND FRONT OSAKA was a large-scale project undertaken by a consortium of 12 companies, including Hankyu Corporation. Completed in April 2013 after three years of construction work, the time to open GRAND FRONT OSAKA finally arrived. Attracting over 10 million visitors in the first three months since its opening, GRAND FRONT OSAKA has garnered high expectations and interest in various areas as a driver of the Kansai economy.

### Emergence of an attractive community at the gateway of Osaka

Osaka Station North District (Umekita) Development Area Project (approximately 24ha) is the last favourable location in central Osaka. Within this project, a consortium of 12 companies, including Hankyu Corporation, developed the Phase I Development Area (approximately 7ha), in which the GRAND FRONT OSAKA multipurpose complex (combining mainly commercial facilities, condominiums and offices) was completed in April 2013 and is currently in operation.

Under the development vision of "creating a community where a diverse array of people can gather for new encounters and inspiration that generate a fresh new energy," this 154m to 180m high, four high-rise complex brings together a cluster of important urban functions, including salons, showrooms, a convention centre and other facilities focused on providing a "Knowledge Capital" hub, as well as shops and restaurants, Flagship Offices, hotels, serviced residences, the InterContinental Hotel Osaka and GRAND FRONT OSAKA Owner's Tower condominiums.

### Visitor numbers and sales on track since the opening

Within this aforementioned complex, the Group is deeply involved in the development and operation of commercial facilities that have been attracting impressive numbers of customers since opening. In the month immediately following its opening, GRAND FRONT OSAKA on the whole attracted 7.61 million visitors, and sales at its commercial facilities reached ¥5 billion. Accordingly, we are well on our way to reaching initial fiscal year targets of 25 million visitors and net sales of ¥40 billion for these commercial facilities. In condominiums, all 525 units were sold prior to opening, despite mainly being high-priced properties.

In addition to being very conveniently located, our superior-grade offices have been rated highly and are gradually being rented thanks to boasting the largest floor area in Kansai as well as being equipped with the latest natural ventilation systems and seismic resistance capabilities.

### Creating a community enjoyable for pedestrians

The consortium of 12 companies, including Hankyu Corporation, not only developed this project, but is also heavily involved in its operation.

In May 2012, Town Management Organisation (TMO) was formed, which is undertaking various forward-looking initiatives to create a vibrant community.

One such initiative is the establishment of open-air cafes that make full use of widened public sidewalks. Although cafes are normally not permitted along public sidewalks, TMO used the special permission clause under the Act on Special Measures concerning Urban Reconstruction to obtain a permit from the City of Osaka.

In addition, TMO commenced UMEGLE, a new transportation service that combines an area loop-line bus, rental bicycles and existing parking lots. These efforts will reduce vehicle traffic in the Umekita district, leading to greater revitalisation of and freedom of movement in the entire area.



Along this Japanese Keyaki (elm tree-lined) street, fashionable open-air cafes add a degree of sophistication to the area.



## Commence projects symbolic of the integration of Hankyu and Hanshin

This project involves rebuilding the Dai Hanshin Building (in which the Hanshin Department Store's Umeda Flagship Store is located) and the adjacent Shin Hankyu Building into an integrated complex. A new high-rise building approximately 190m high will be built on a prime location facing Umeda (Osaka) Station. A city plan proposal was decided upon on 19th April 2013 that establishes a special urban renaissance district. As such, the Umeda 1-1 Project has made significant headway towards commencing commercial operations.

### Overview of Umeda 1-1 Project

We will undertake this rebuilding project using the space above the road separating the Dai Hanshin Building and Shin Hankyu Building. This is the first time that an "area specified for urgent urban regeneration work" in accordance with the Act on Special Measures concerning Urban Regeneration is being used to ease regulations on aboveground construction. In addition, we will promote the development of a comfortable, superior-quality community by undertaking this project in conjunction with upgrades to surrounding public facilities. Looking ahead, we aim to complete this project by 2023 through the ongoing cooperation of the government and business partners.

### Overview of Umeda 1-1 Project Building (provisional name)

#### Office Zone

Featuring advanced equipment, a high-rise section (11th–38th floors) is planned to have western Japan's largest\* floor space per office of approximately 4,500m<sup>2</sup>.

\*Covering office buildings built after 2000

#### Conference Zone

Taking advantage of the large space made possible by building above roads, we plan to construct an approximately 3,000m<sup>2</sup> conference zone on the 11th floor that will contribute to revitalised business activities in the Umeda area. During disasters, these facilities function as temporary shelters for those unable to return home.

#### Department Store Zone

The total floor space of the newly refurbished Hanshin Department Store Umeda Main Store at present is approximately 100,000m<sup>2</sup> and is planned to encompass 11 floors (9 floors above ground and 2 below). In addition, the store is scheduled to remain open during rebuilding work.

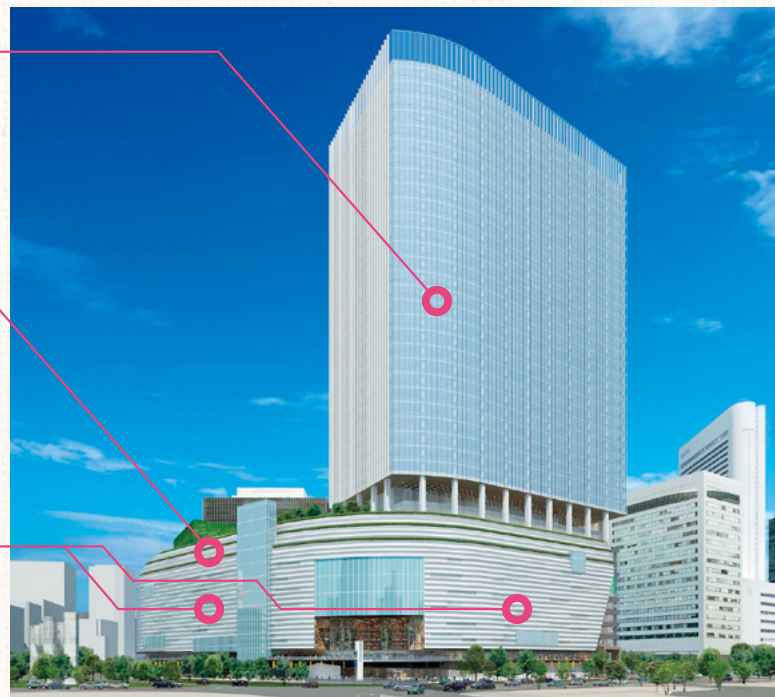


Image of the completed building

#### ■ The Planned Building

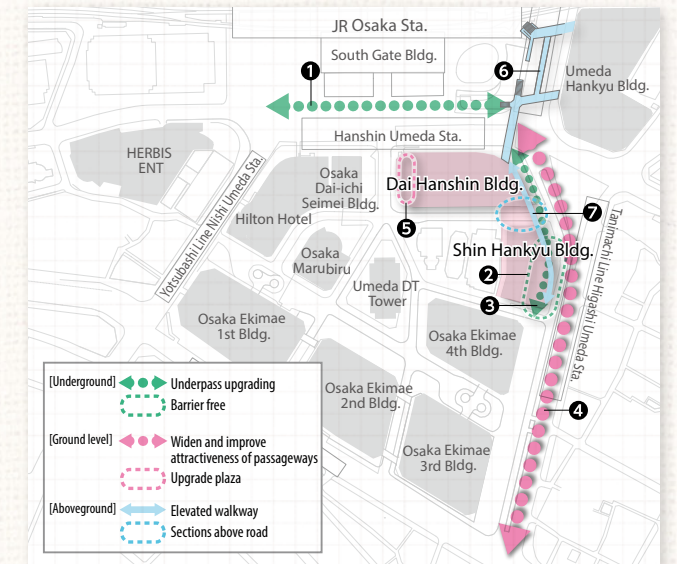
<b>Location</b>	1-1 Umeda, Kita-ku, Osaka	<b>Facility composition</b>	<ul style="list-style-type: none"> <li>• Department store zone (9 floors above ground and 2 below) Total floor space approx. 100,000m<sup>2</sup></li> <li>• Office zone (11th to 38th floors above ground) Total floor space approx. 133,000m<sup>2</sup></li> <li>• Conference zone (11th floor above ground) Total floor space approx. 3,000m<sup>2</sup></li> <li>• Other (parking lot, passageways, etc.) Total floor space approx. 21,000m<sup>2</sup></li> </ul>
<b>Site area</b>	Approx. 12,100m <sup>2</sup> (includes the space used above the road separating the two sites)		
<b>Specified floor-area ratio</b>	2000%	<b>Construction completion</b>	2023 (planned)
<b>Total floor area</b>	Approx. 257,000m <sup>2</sup>		
<b>Floors</b>	38 above ground and 4 below		
<b>Height</b>	Approx. 190m		

### Overview of Main Upgraded Public Facilities Located Nearby

The vicinity of the Dai Hanshin Building and Shin Hankyu Building features an upgraded three-level (underground, ground level, deck level) pedestrian network that improves the comfort and conveniences of pedestrian spaces and, in turn, contributes to the revitalisation of the immediate area and the rest of Osaka city.

<b>Underground</b>	<ol style="list-style-type: none"> <li>1 Widen and perform regular maintenance of east-west underpass (the urban development project's passageway No.1 in front of Osaka Station)</li> <li>2 Make surrounding sites barrier free</li> <li>3 Upgrade underpasses at surrounding sites</li> </ol>
<b>Ground level</b>	<ol style="list-style-type: none"> <li>4 Widen, perform regular maintenance and improve attractiveness of Midosuji passageway</li> <li>5 Upgrade the on-site plazas on the planned west side</li> </ol>
<b>Deck level (aboveground)</b>	<ol style="list-style-type: none"> <li>6 Improve decorations and seismic resistance of the new Umeda elevated walkway</li> <li>7 Upgrade on-site passageways (2nd floor of the planned building)</li> </ol>

### ■ Diagram of Upgraded Area



#### COLUMN:

### Competitive advantages of the Umeda area

In recent years, the urban functions of the Umeda area and other key areas of Osaka have been progressively updated and built up thanks to large redevelopment projects. The Umeda area (which has seen the opening of a series of large office buildings and commercial facilities, particularly Umeda Hankyu Building and GRAND FRONT OSAKA) and the Abeno/Tennoji district (in which the department store section of ABENO HARUKAS opened in advance in June 2013) were both redeveloped to enhance their attractiveness and dynamism, helping to significantly raise their value. While these major redevelopments were taking place, intensifying competition among key areas has given rise to issues regarding how to attract large numbers of people and capital.

#### Comparison of Concentration of Commercial Facilities by Region (Store Area)

Commercial district (official designation)	June 2008	June 2013
<b>Umeda (Kita-ku, Osaka)</b>	480,148	682,362
Namba, Shinsaibashi (Chuo-ku, Osaka)*	438,856	470,437
Tennoji (Abeno-ku, Osaka)	127,577	220,277
Shibuya, Omotesando (Shibuya-ku, Tokyo)	419,226	427,513
Shinjuku (Shinjuku-ku, Tokyo)	424,994	438,979
Ikebukuro (Toshima-ku, Tokyo)	389,093	381,588
GINZA, Nihonbashi (Chuo-ku, Tokyo)	347,969	320,277
Marunouchi, Yutakucho (Chiyoda-ku, Tokyo)	364,588	342,709

Source: Toyo Keizai, Inc. "List of Large-Scale Retail Outlets 2014"

Store area calculated on basis of official designation in the above table.

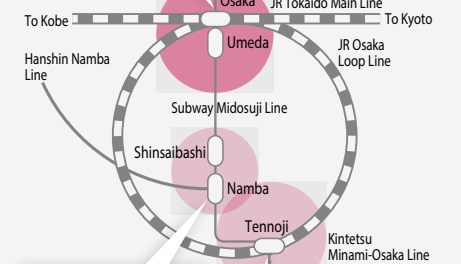
Stores surveyed are those with areas in excess of 1,000m<sup>2</sup>, as of June 2013, based on data on large-scale stores registered with prefectural governments under the Large-Scale Retail Stores Location Law.

\*Including 54,042m<sup>2</sup> for Namba Parks (Naniwa-ku, Osaka)

Under these circumstances, the Umeda area, the Group's most important business base, is western Japan's biggest railway terminal and currently contains Japan's highest concentration of large-scale commercial facilities, attracting people from both inside and outside the Kansai area. Thanks to redevelopment in recent years, Umeda has also garnered high ratings as an office district. Umeda was not only the first among all of Osaka's business districts to benefit early from office expansion and relocation as well as new demand, but maintains the highest leasing rates in Osaka, making it a highly competitive area.

Moreover, one section of the area surrounding Osaka Station has been designated as a Kansai Innovation International Strategic Comprehensive Special Zone, raising expectations of future business expansion in environmental, medical and other fields centred on GRAND FRONT OSAKA's "Knowledge Capital." Along with this, the Umeda area is developing into an attractive destination for businesses and human resources not only from Japan, but also Asia and the rest of the world, due to the upgrading of functions that is organically transforming Umeda into a central hub. Accordingly, we expect the Umeda area to become even more competitive on the international stage, which will drive growth nationwide as the central urban core of Osaka.

**Umeda (Kita) Area**  
[Commercial facility area] 682,362m<sup>2</sup>  
[Roadside land price (per m<sup>2</sup>)] ¥7.12 million  
[Main commercial facilities]  
Umeda Flagship Store of Hankyu Department Stores  
GRAND FRONT OSAKA



**Namba (Minami) Area**  
[Commercial facility area] 470,437m<sup>2</sup>  
[Roadside land price (per m<sup>2</sup>)] ¥4.56 million  
[Main commercial facilities]  
Takashimaya Osaka  
Daimaru Shinsaibashi

**Abeno/Tennoji Area**  
[Commercial facility area] 220,277m<sup>2</sup>  
[Roadside land price (per m<sup>2</sup>)] ¥1.54 million  
[Main commercial facility]  
ABENO HARUKAS